



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
ELLIOTT COUNTY  
FORMER SHERIFF'S SETTLEMENT - 1998 TAXES**

**January 13, 1999**

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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Charles Pennington, County Judge/Executive and Former Sheriff

Honorable Ronnie Stephens, Elliott County Sheriff

Members of the Elliott County Fiscal Court

### Independent Auditor's Report

We have audited the former Elliott County Sheriff's Settlement - 1998 Taxes as of January 13, 1999. This tax settlement is the responsibility of the former Elliott County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The former Sheriff prepared his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the former Elliott County Sheriff's taxes charged, credited, and paid as of January 13, 1999, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Charles Pennington, County Judge/Executive and Former Sheriff

Honorable Ronnie Stephens, Elliott County Sheriff

Members of the Elliott County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated September 28, 1999, on our consideration of the former Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -  
September 28, 1999

ELLIOTT COUNTY  
CHARLES PENNINGTON, FORMER SHERIFF  
SHERIFF'S SETTLEMENT - 1998 TAXES

January 13, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 121,487	\$ 107,896	\$ 365,980	\$ 116,172
Tangible Personal Property	3,156	2,333	9,685	4,887
Intangible Personal Property				2,460
Fire Protection	2,561			
Franchise Corporation	15,549	11,507	47,711	
Prior Year Franchise Corporation	1,327	830	3,357	
Additional Billings	517	447	1,559	690
Oil and Gas Reserves	2,749	2,442	8,283	2,629
Penalties	5	2	10	
Adjusted to Sheriff's Receipt	<u>(143)</u>	<u>(115)</u>	<u>(439)</u>	<u>(318)</u>
Gross Chargeable to Sheriff	<u>\$ 147,208</u>	<u>\$ 125,342</u>	<u>\$ 436,146</u>	<u>\$ 126,520</u>
<u>Credits</u>				
Discounts	\$ 1,457	\$ 1,260	\$ 4,294	\$ 1,436
Exonerations	3,065	2,714	9,209	2,937
Transferred to Incoming Sheriff	<u>46,433</u>	<u>40,386</u>	<u>137,652</u>	<u>44,084</u>
Total Credits	<u>\$ 50,955</u>	<u>\$ 44,360</u>	<u>\$ 151,155</u>	<u>\$ 48,457</u>
Net Tax Yield	\$ 96,253	\$ 80,982	\$ 284,991	\$ 78,063
Less: Commissions *	<u>4,378</u>	<u>3,355</u>	<u>11,399</u>	<u>3,605</u>
Net Taxes Due	\$ 91,875	\$ 77,627	\$ 273,592	\$ 74,458
Taxes Paid	91,720	77,400	273,124	74,306
Refunds (Current and Prior Year)	<u>155</u>	<u>139</u>	<u>468</u>	<u>150</u>
Due Districts		**		
as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 88</u>	<u>\$ 0</u>	<u>\$ 2</u>

\* and \*\* See Page 4

ELLIOTT COUNTY  
CHARLES PENNINGTON, FORMER SHERIFF  
SHERIFF'S SETTLEMENT - 1998 TAXES  
January 13, 1999  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	210,547
4% on	\$	319,742

\*\* Special Taxing Districts:

Health District	\$	1
Soil Conservation District		(1)
Ambulance District		88

Due Districts or (Refund Due Sheriff)	\$	88
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The accompanying notes are an integral part of the financial statement.



ELLIOTT COUNTY  
NOTES TO FINANCIAL STATEMENT

January 13, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The former Sheriff's tax collection duties were limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorized the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The former Sheriff met the requirements stated above, and as of January 13, 1999, deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

ELLIOTT COUNTY  
NOTES TO FINANCIAL STATEMENT  
January 13, 1999  
(Continued)

Note 4. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 25, 1998 through November 30, 1998.

Note 5. Interest Income

The former Elliott County Sheriff earned \$1,238 as interest income on 1998 taxes. The former Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Charles Pennington, County Judge/Executive and Former Sheriff  
Honorable Ronnie Stephens, Elliott County Sheriff  
Members of the Elliott County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Elliott County Sheriff's Settlement - 1998 Taxes as of January 13, 1999, and have issued our report thereon dated September 28, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Elliott County Sheriff's Settlement - 1998 Taxes as of January 13, 1999 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Elliott County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Charles Pennington, County Judge/Executive and Former Sheriff  
Honorable Ronnie Stephens, Elliott County Sheriff  
Members of the Elliott County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 28, 1999

